

Charter Township of Harrison Firemen's Pension Fund

**Financial Report
with Supplemental Information
December 31, 2003**

Charter Township of Harrison Firemen's Pension Fund

Contents

Report Letter	I
Basic Financial Statements	
Statement of Plan Net Assets	2
Statement of Changes in Plan Net Assets	3
Notes to Financial Statements	4-6
Required Supplemental Information	
Schedule of Funding Progress	7
Schedule of Employer Contributions	7



Plante & Moran, PLLC
Suite 200
10 S. Main St.
Mount Clemens, MI 48043
Tel: 586.465.2200
Fax: 586.469.0165
plantemoran.com

Independent Auditor's Report

To the Firemen's Pension Board
Charter Township of Harrison
Firemen's Pension Fund

We have audited the accompanying basic financial statements of the Charter Township of Harrison Firemen's Pension Fund (a component unit of the Charter Township of Harrison, Michigan) as of December 31, 2003 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Harrison, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the Charter Township of Harrison Firemen's Pension Fund as of December 31, 2003 and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying schedules of funding progress and employer contributions, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The Charter Township of Harrison Firemen's Pension Fund has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

May 14, 2004



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Charter Township of Harrison

Firemen's Pension Fund

Statement of Plan Net Assets

	December 31	
	2003	2002
		(memorandum only)
Assets		
Cash and short-term investments	\$ 83,362	\$ 109,922
Receivables:		
Interest and dividends	8,743	8,261
Employer	18,455	-
Investments:		
Corporate bonds	2,199,728	3,240,391
Corporate stocks	2,035,246	1,534,388
Mutual funds	8,254,471	5,921,922
Unit investment trusts	764,362	642,060
Total investments	13,253,807	11,338,761
Total assets	13,364,367	11,456,944
Liabilities - Other	-	8,367
Net Assets Held in Trust for Pension Benefits -		
A schedule of funding progress is presented on page 7	<u><u>\$ 13,364,367</u></u>	<u><u>\$ 11,448,577</u></u>

Charter Township of Harrison

Firemen's Pension Fund

Statement of Changes in Plan Net Assets

	Year Ended December 31	
	2003	2002
		(memorandum only)
Additions		
Investment income (loss):		
Interest and dividends	\$ 483,331	\$ 485,129
Net appreciation (depreciation) of investments	1,537,742	(1,255,609)
Less investment expenses	<u>(287)</u>	<u>(1,434)</u>
Net investment income (loss)	2,020,786	(771,914)
Contributions:		
Employer	437,191	429,662
Employees	<u>100,387</u>	<u>96,403</u>
Total additions - Net of investment losses	2,558,364	(245,849)
Deductions - Benefit payments	<u>642,574</u>	<u>669,089</u>
Net Increase (Decrease)	1,915,790	(914,938)
Net Assets Held in Trust for Pension Benefits		
Beginning of year	<u>11,448,577</u>	<u>12,363,515</u>
End of year	<u>\$ 13,364,367</u>	<u>\$ 11,448,577</u>

Charter Township of Harrison Firemen's Pension Fund

**Notes to Financial Statements
December 31, 2003**

Note 1 - Summary of Significant Accounting Policies

The Charter Township of Harrison Firemen's Pension Fund (the "System") is a single-employer defined benefit pension plan that is administered by the Charter Township of Harrison Firemen's Pension Board; this plan covers substantially all full-time employees of the Charter Township of Harrison Fire Department. The System's financial statements are also included in the combined financial statements of the Charter Township of Harrison (the "Township") as a pension trust fund.

Basis of Accounting - The System uses the accrual method of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Note 2 - Plan Description

The System provides retirement, disability, and death benefits to plan members and their beneficiaries, in accordance with the Township's pension ordinance. At December 31, 2002 (the date of the latest actuarial valuation), membership consisted of 21 retirees and beneficiaries currently receiving benefits and 27 current active employees.

Note 3 - Contributions

Plan members are required to contribute 5 percent of their covered salary. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the System are financed through investment earnings. Such costs are netted against investment earnings and the amount is not known.

Charter Township of Harrison

Firemen's Pension Fund

Notes to Financial Statements December 31, 2003

Note 4 - Reserves

As of December 31, 2003, the System's reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 1,369,006
Reserve for employer's contributions	5,664,087
Reserve for retired benefit payments	6,331,274

Note 5 - Cash and Investments

Cash and short-term investments represent bank account deposits of approximately \$83,000. The bank deposits are fully covered by federal depository insurance.

The System's investments are categorized in the financial statements to give an indication of the level of risk assumed by the entity at December 31, 2003. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the System's name.

The System's investments at December 31, 2003 were classified as follows:

	Category			Carrying Amount (Fair Value)
	1	2	3	
Corporate bonds and other securities	\$ -	\$ -	\$2,199,728	\$ 2,199,728
Corporate and foreign stocks	-	-	2,035,246	2,035,246
Unit investment trusts	-	-	764,362	764,362
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,999,336</u>	4,999,336
Mutual funds				<u>8,254,471</u>
Total investments				<u>\$13,253,807</u>

Charter Township of Harrison Firemen's Pension Fund

**Notes to Financial Statements
December 31, 2003**

Note 5 - Cash and Investments (Continued)

The mutual funds are registered with the SEC and are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments of the System comply with the investment authority noted above. Brokerage short-term mutual funds are held by the System's investment managers, and are insured by the Securities Investors Protection Act, up to \$600,000.

The System is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. There were no investments during the year in any one organization (other than the U.S. government) in excess of 5 percent of plan net assets. All investment securities are uninsured and unregistered.

Note 6 - Risk Management

The System's exposure to risk of loss, other than investment market loss, is minimal. Exposure is limited primarily to errors and omissions. The System manages risk by participating with the Township in the Michigan Township Participating Plan pool.

Supplemental Information

Charter Township of Harrison

Firemen's Pension Fund

Required Supplemental Information Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/97	\$ 9,466,672	\$ 10,492,317	\$ 1,025,645	90.2	\$ 1,450,888	70.7
12/31/98	10,305,241	10,714,962	409,721	96.2	1,482,110	27.6
12/31/99	11,111,722	11,091,891	(19,831)	100.2	1,636,166	-
12/31/00	11,916,284	12,028,593	112,309	99.1	1,828,011	6.1
12/31/01	12,483,861	12,291,086	(192,775)	101.6	1,678,054	-
12/31/02	12,816,039	12,921,489	105,450	99.2	1,949,550	5.4

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1997	\$ 274,304	100
1998	360,499	100
1999	380,264	100
2000	362,451	100
2001	345,071	100
2002	429,662	100

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2002, the latest actuarial valuation date, follows:

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Remaining amortization period	14 years
Asset valuation method	Open four-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	5.5%-9.3%
*Includes inflation at	5.5%
Cost of living adjustments	None